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NEDGROUP INVESTMENTS Global Cautious Fund

Q3 2025

Marketing Communication

Nedgroup Investments Global Cautious Fund

Past performance is not indicative of future performance and does not predict future returns.
Performance longer than 1 year is annualised.

Performance to 30 September 2025 (USD)	Fund[1]	Target Return[2]	Peer Group[3]
3 Months	1.1%	1.1%	2.8%
12 Months	5.4%	4.6%	5.8%
5 Years	3.5%	3.1%	3.1%
10 Years	3.0%	2.2%	3.3%

In the third quarter of 2025, most major asset classes delivered positive returns, driven by a combination of easing trade tensions, heightened enthusiasm around artificial intelligence, and growing expectations for near-term interest rate cuts by the Federal Reserve. With tariff passthrough proving less severe than initially feared, the Fed responded by cutting interest rates by 25 basis points at its September meeting - its first rate reduction of the year. This move signalled a potential shift toward further monetary easing, which in turn provided support for U.S. equities. Meanwhile, the European Central Bank opted to keep rates unchanged in September, indicating that it is approaching the end of its current easing cycle.

Policy uncertainty remains high, especially around tariffs and fiscal sustainability. Global growth may stabilize, but risks from trade tensions, geopolitical conflicts, and inflation remain elevated. Some indices are near or at record highs and this can lead to valuation concerns amongst market participants. Alongside this there is still a potential for inflation resurgence or for reports of slower than expected growth numbers, both of which could cool the markets.

Fund Performance

The aim of the strategy is to provide a stable stream of real total returns over the long term with low absolute volatility and significant downside protection.

The portfolio produced a positive return over the quarter, driven by the portfolio's bond and equity allocations.

The following table highlights the top 5 equity contributors and bottom 5 equity detractors over the quarter:

Top Performers	Country	Performance contribution	Bottom Performers	Country	Performance contribution
ALPHABET A	US	0.26%	TEXAS INSTRUMENTS	US	-0.11%
AMPHENOL CORP	US	0.14%	PHILIP MORRIS	US	-0.06%
INTEL	US	0.13%	S&P GLOBAL	US	-0.05%
ALTRIA GROUP	US	0.12%	METRO A	Canada	-0.04%
ASM PACIFIC TECHNOLOGY	Hong Kong	0.09%	FUCHS PETROLUB	Germany	-0.03%

North American equity markets went up over the quarter. In the US, the stock market rose gradually over the quarter as the impact of tariffs remained muted due to the trade deals that the US administration negotiated. Additionally, it became increasingly clear that the US Federal Reserve would reduce interest rates, and this was confirmed by an interest rate cut in September that buoyed investor sentiment. The Canadian market rose as the gold price remained firm over the period as well as other commodity prices such as silver. In addition, Canada benefitted from inflows as investors diversified their holdings away from US assets. Over the period the portfolio was ahead of the benchmark.

[1] Net return for the Nedgroup Investments Global Cautious Fund, A class.
[2] SOFR USD 1-month from 1 Feb 2022 (previously US Libor 1 month)
[3] Morningstar EAA Fund USD Cautious Allocation
Source: Morningstar (monthly data series).

In the US, cyclical sectors such technology and consumer discretionary led the market while defensive sectors such as healthcare and consumer staples lagged the overall market as investors increased their risk exposure. The portfolio benefitted from having an overweight position in technology sector where the holdings rose strongly relative to the general technology sector. In terms of country performance, the US market (SP500) was in line with the Canadian market (TSX) (in local currency terms).

Some of the better performing companies in the portfolio included Amphenol, Intel and Alphabet. Amphenol (Technology) rose as investors began to reinvest in the technology sector, and the company posted strong results and gave optimistic outlooks regarding the impact of tariffs as the company is seen as a beneficiary of increased artificial intelligence capital spending. Intel (Technology) benefitted from an investment by the US Government as the company continues to invest in new semiconductor architectures. The US Government investment was further backed by an investment by Nvidia giving investors further confidence in Intel's turnaround. Alphabet (Communication Services) had been under anti-trust investigation by the US Government, and this was favourably resolved during the quarter. The presiding judge ruled that Alphabet would not need to divest its search business, this had been a sentiment overhang on the stock and the company rose strongly after the positive verdict.

Companies that were behind the index over the quarter included Philip Morris, S&P Global and Texas Instruments. Philip Morris suffered as investors switched assets to more cyclical parts of the market – the company is seen as more defensive. S&P Global (Financial Services) was weaker during the quarter as investors remained concerned that structurally higher rates would impact debt issuance by corporates, limiting growth at S&P Global. These concerns were further compounded as some competitors gave outlooks that were below market expectations. It is worth remembering that S&P global has several other businesses that have attractive growth profiles such as financial data, commodities and indices. In addition, interest rate decreases by the US Federal Reserve should support debt issuance. Texas Instruments (Technology) lagged the market as an executive gave a slightly tempered outlook at a conference which dampened investor sentiment as the stock had risen strongly in the previous quarter.

Elsewhere in the portfolio, US bonds produced a positive return but underperformed the broader index. Our overseas bonds detracted but outperformed the broader index. The bond market was caught between rate cut optimism and structural headwinds. In the UK, still-sticky inflation, alongside renewed focus on the fragility of government finances ahead of the November budget, helped to push 30-year Gilt yields to their highest level since May 1998 in September.

The currency hedging program, which aims to protect the portfolio by hedging out exposure to overvalued currencies relative to US Dollar, detracted over the quarter as the US Dollar depreciated against the Australian dollar. The US Dollar remains under selling pressure amid mounting US debt concerns, and US government policies.

Portfolio Positioning

There were no changes to positioning over the quarter. The model allocation is 78% bonds, 20% equities and 2% cash.

Within the fixed income allocation, Pyrford adopts a defensive stance by owning short duration securities to minimise the impact on the portfolio from interest rate rises. At the end of the period the modified duration of the fixed income portfolio stood at around 2.7 years. Whilst these shorter duration bonds are unlikely to yield high returns, they will provide significant capital protection for the portfolio and importantly they are highly liquid. The bond portfolio remains of a very high credit quality and highly liquid. 40% of the portfolio is invested in overseas bonds, with 22% in the UK and 18% in Australia. 38% of the portfolio is invested in US government debt.

Within the equity portfolio the companies we hold are defensive names, which we would expect to perform well during volatile periods. The focus of the portfolio is on balance sheet strength, profitability, earnings visibility and value. The European portfolio holds several names that are global leaders in niche industries. We have a high concentration in Switzerland and have also completely avoided several industries which are structurally challenged. In Asia, we prefer the Southeast Asian markets over Japan. The potential growth rate in Japan remains low given the poor demographics and low productivity growth. Economies in Southeast Asia offer sustainable economic growth supported by increased labour output or productivity growth and trade at more reasonable valuations.

Finally, there was no change to the unhedged non-USD exposure in the portfolio, and Australian Dollar remains the only hedged currency. 33% of the portfolio remains exposed to unhedged foreign currencies.

Outlook

Pyrford retains a cautious outlook for international economic growth and expects the necessary adjustments to corporate and personal balance sheets in the developed West to take a prolonged period to achieve.

Following the rally in North American equity markets over the last few years, valuations are in aggregate less attractive than they were. Equity investors will be best rewarded by concentrating on high quality companies selling at low valuations relative to a defensive and visible stream of earnings. Financial leverage should be avoided, and investors should focus on companies which are very well capitalised and whose business models have proved resilient during previous periods of poor economic growth.

Responsible Investments

As long-term shareholders of companies, we have the ability, and in our view the responsibility, to try and influence the business practices of companies.

Pyrford voted 76 proposals in 6 company meetings in the quarter. We voted against management on 3 proposals. We also attended 93 company meetings worldwide, and ESG issues are a standing agenda item in every meeting we conduct.

For a detailed overview of ESG activity, please visit our website for all voting records and our latest annual ESG report.

Disclaimer

This is a marketing communication. Please refer to the prospectus, the key investor information documents (the **KIIDs/PRIIPS KIDs**) and the financial statements of Nedgroup Investments Funds plc (the **Fund**) before making any final investment decisions.
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